



MAINE CENTRAL RAILROAD COMPANY

8569

242 ST. JOHN STREET
TELEPHONE (207) 773-4711

PORTLAND, MAINE 04102
TELEX 94-4422

RECORDATION NO. Filed & Recorded

JOHN F. GERITY
VICE PRESIDENT

NOV 12 1976 8 50 PM November 10, 1976

INTERSTATE COMMERCE COMMISSION

Hon. Robert L. Oswald, Secretary
Interstate Commerce Commission
Washington, D. C. 20423

INTERSTATE
COMMERCE COMMISSION
RECEIVED

NOV 12 1976

ADMINISTRATIVE SERVICES
MAIL UNIT

Dear Sir:

Enclosed herewith for your recordation with the Interstate Commerce Commission, under Section 20-C of the Interstate Commerce Act, are the Original Document and counterparts nos. 2 and 3, thereof, being an Equipment Lease further described as follows:

The names and addresses of the parties to the transaction are as follows:

Lessee: Maine Central Railroad Company
242 St. John Street
Portland, Maine 04102

Lessor: Armco Leasing Corporation
P. O. Box 900
Middletown, Ohio 45042

Guarantor: None

The equipment covered by the Equipment Lease consists of 300 new fifty (50) foot, six (6) inch, seventy-five (75) ton capacity plain box-cars bearing identifying numbers MEC 31450 through MEC 31749, both inclusive, and having an AAR mechanical designation of XM.

The original document is to be returned to :

Scott W. Scully, General Counsel
Maine Central Railroad Company
242 St. John Street
Portland, Maine 04102

I have enclosed a check in the amount of \$50.00 for the required recordation fee.

Very truly yours,

J. F. Gerity
J. F. Gerity
Vice President

SWS:et
Enclosures

FEE OPERATION BR.
I.C.C.

NOV 12 3 43 PM '76

RECEIVED

Interstate Commerce Commission

Washington, D.C. 20423

11/15/76

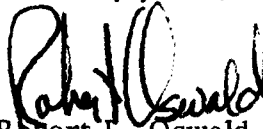
OFFICE OF THE SECRETARY

Scott W. Scully, General Counsel
Maine Central RR. Company
242 St. John Street
Portland, Maine 04102

Dear Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on 11/12/76 at 3:50pm
and assigned recordation number(s) 8569

Sincerely yours,


Robert L. Oswald
Secretary

Enclosure(s)

SE-30
(5/76)

8569

RECORDATION NO. Filed & Recorded

RAILROAD EQUIPMENT LEASE AGREEMENT

NOV 12 1976 18 20 PM

INTERSTATE COMMERCE COMMISSION

THIS RAILROAD EQUIPMENT LEASE AGREEMENT ("Lease"), dated as of the 1st day of June, 1976, between ARMCO LEASING CORPORATION, an Ohio corporation ("Lessor") and MAINE CENTRAL RAILROAD COMPANY, a Maine corporation ("Lessee").

For and in consideration of the mutual covenants and promises hereinafter set forth, Lessor and Lessee hereby agree as follows:

1. Lease. Lessor leases to Lessee, and Lessee leases and hires from Lessor, all of the boxcars (Collectively, the "Equipment" and individually, an "Item of Equipment") described in Schedule 1 attached hereto commencing upon delivery of each Item of Equipment and the acceptance thereof pursuant to Section 5 hereof and, subject to Sections 9, 16 and 26 hereof, terminating on December 28, 1991.

2. Rental Term. The rental term of this Lease commences on the date of execution and delivery of a Certificate of Acceptance as defined in Section 5 hereof with respect to the Items of Equipment covered thereby and terminates, subject to Section 9, 16 and 26 hereof, on December 28, 1991.

3. Rent. Lessee shall pay Lessor the following rent for each Item of Equipment:

(a) For each Item of Equipment the amount per day ("Daily Interim Rent") provided for in Schedule 1 hereto for the period, if any, from the date of delivery and acceptance of such Item of Equipment pursuant to Section 5 hereof to, ^{and} ~~but not~~ including December 28, 1976; and

(b) For each Item of Equipment thirty (30) semiannual installments of rent payable in arrears in the amounts provided for in Schedule 1 hereto.

The total amount of Daily Interim Rent for all Items of Equipment shall be due and payable on December 28, 1976. The installments of rent for each Item of Equipment shall be due and payable semiannually in arrears thereafter commencing June 28, 1977 to and including December 28, 1991.

4. Use and Possession. Lessee shall not, without the prior written consent of Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any Item of Equipment, except to the extent permitted by this paragraph. So long as Lessee is not in default under this Lease, it shall be entitled to possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation a majority of whose voting stock (having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by Lessee or upon the lines of railroad over which

rights or over which equipment of Lessee is regularly operated pursuant to contract and also to permit the use of the Equipment upon connecting and other railroads in the usual interchange of traffic, and to permit the temporary subletting or emergency use by other parties of any Item of Equipment in the normal course of business, but only upon and subject to all the terms and conditions of this Lease. No sublease or interchange or other agreement entered into by Lessee hereunder shall relieve Lessee of any liability or obligations hereunder which shall be and remain those of a principal and not a surety.

The Equipment shall at all times be used and operated in a careful and proper manner and in compliance with:

- (a) all applicable laws, ordinances, rules and regulations including, without limitation, the rules of the United States Department of Transportation and the Interstate Commerce Commission and the current Interchange Rules, or supplements thereto, of the Association of American Railroads; and
- (b) all manufacturer's instructions and warranty requirements.

If Lessee's compliance with either (a) or (b) above requires changes or additions to be made on or to the Equipment, such changes or additions shall be made by Lessee at its own expense.

5. Lessee's Inspection, Acceptance and Delivery. Lessee agrees that it shall inspect each Item of Equipment and if each Item of Equipment is in good condition and repair and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all applicable interchange requirements of the Association of American Railroads and if Lessee is satisfied with and has accepted the same for all purposes of this Lease, Lessee shall execute and deliver a written certificate or certificates to Lessor of Lessee's acceptance and approval of such Item of Equipment substantially in the form attached hereto as Exhibit A (Certificate of Acceptance).

In the event that any Item of Equipment has not been so delivered and accepted on or before the outside delivery date set forth in Schedule 1, such Item of Equipment shall be eliminated from the Lease.

6. Lessor's Inspection. Lessor shall at any and all times have the right to enter into and upon Lessee's premises where the Equipment may be located for the purposes of inspecting the Equipment or observing its use and observing the maintenance

thereof. Lessee shall give Lessor notice of any attachment or other judicial encumbrance affecting any Items of Equipment and shall whenever requested by Lessor, advise Lessor of the exact location of the Equipment.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which, in the advance opinion of the Lessor, will not affect or endanger the title and interest of the Lessor in and to the Equipment. The Lessee's obligations under this section shall survive termination of the Lease.

7. Alterations. Lessee shall not make any alterations, additions or improvements to the Equipment other than as required by paragraph 4 hereof without written authority and approval of Lessor which shall not be unreasonably withheld. All alterations, additions and improvements of whatever kind or nature made and permanently affixed to the Equipment shall belong to and immediately become the property of Lessor and shall be returned to Lessor with the Equipment upon the expiration or earlier termination of this Lease.

8. Maintenance. Lessee, at its own expense, shall maintain and keep the Equipment in good repair, condition and working order, suitable for use in interchange, and shall furnish any and all parts, mechanisms, devices and labor required to keep the Equipment in such condition.

9. Loss and Damage; Stipulated Loss Value. Lessee hereby assumes and shall bear the entire risk of loss or damage to the Equipment from any and every cause whatsoever. No loss or damage to the Equipment or any part thereof shall affect any obligation of Lessee under this Lease which shall continue in full force and effect.

In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or in the opinion of Lessee irreparably damaged, or shall be requisitioned or taken over during the term of this Lease, which requisitioning or taking by its terms is for a period that exceeds the remaining term of this Lease, by any governmental authority under the power of eminent domain or otherwise (any such occurrence being hereinafter called a "Casualty Loss"), the Lessee shall (after it has knowledge of such Casualty Loss) immediately and fully inform the Lessor in regard thereto. In the event of a Casualty Loss Lessee shall pay Lessor or

cause to be paid on the next rent payment date following notice of Casualty Loss with respect to such Item of Equipment (or, in the event Lessee has exercised its right to renew the Lease in accordance with Section 26 of the Lease, and if notice of such Casualty Loss is thereafter given by Lessee to Lessor after the final rent payment date of the primary term of the Lease, then within ten (10) days after receipt by Lessee of Lessor's demand in writing therefore):

- (i) the rent payment with respect to such Item of Equipment;
- (ii) any interest due on late payments of rent with respect to such Item of Equipment, if any, to the date of such payment;
- (iii) the Stipulated Loss Value, as set forth in Schedule 2 attached hereto, as computed as of the due date of such payment; and
- (iv) all other unpaid amounts due hereunder solely with respect to such Item of Equipment involved in such Casualty Loss.

At such time as Lessor has received the sum of (i), (ii), (iii) and (iv) above, the obligation of Lessee to pay rent hereunder with respect to such Item of Equipment shall terminate.

The "Stipulated Loss Value" of each Item of Equipment shall mean the Stipulated Loss Value as defined in Schedule 2 covering said Item of Equipment.

Upon payment for any Item of Equipment in accordance with this paragraph 9, Lessee shall become entitled to such lost or damaged Item of Equipment, AS-IS-WHERE-IS, without any representations or warranties express or implied, with respect to any matter whatsoever.

In the event that during the term of this Lease an Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for a period which by its terms does not exceed the remaining term of this Lease, the Lessee's duty to pay rent on account of such Item shall continue for the duration of such requisitioning or taking. The Lessee however, shall be entitled to receive and retain for its own account all amounts payable for any such period by such governmental authority as compensation for such requisitioning or taking of possession.

10. Surrender. Upon the expiration or sooner termination of this Lease with respect to any Item of Equipment, Lessee shall (unless Lessee has paid Lessor in cash the Stipulated Loss Value of such Item of Equipment pursuant to paragraph 9 hereof) at its own cost and expense, deliver possession of such Item of Equipment to Lessor upon such storage tracks of the Lessee as Lessee may designate, within the Waterville, Maine vicin-

ity, and permit the Lessor to store such Item of Equipment on such storage tracks for a period not exceeding ninety (90) days and transport the same at any time within such 90 day period to any reasonable place on the lines of the railroad operated by Lessee or to any connecting carrier for shipment, all as directed by Lessor upon not less than thirty (30) days written notice to Lessee. All movement and storage of each such Item of Equipment is to be at the risk and expense of the Lessee. During any such storage period, Lessee will permit Lessor or any person designated by Lessor, including the authorized representative or representatives of any prospective purchaser of any such Item of Equipment to inspect the same, provided, however, that the Lessee shall not be liable for any injury to, or the death of any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence, except in the case of negligence or intentional act of the Lessee or of its employees or agents. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises; Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee to so assemble, deliver, store and transport the Equipment.

Without in any way limiting the obligations of the Lessee under the foregoing provision of this paragraph 10, Lessee hereby irrevocably appoints Lessor as the agent and attorney of Lessee with full power and authority, at any time while Lessee is obligated to deliver possession of any Item of Equipment to Lessor, to demand and take possession of any Item of Equipment in the name of and on behalf of Lessee from whosoever shall be at the time in possession of such Item of Equipment.

11. Taxes. In addition to the rent provided herein, and as a separate item, Lessee shall pay or reimburse Lessor for all taxes (exclusive of taxes based on net income or gross receipts taxes in lieu of income taxes or franchise taxes unless such taxes are in substitution for or relieve Lessee from any taxes which Lessee would otherwise be obligated to pay under the terms of this paragraph), fees, charges, licenses, and assessments whatsoever, however designated, whether based on the rent or levied, assessed or imposed upon the Equipment or upon or in respect of the manufacture, purchase, delivery, ownership, leasing, use or return of the Equipment, or in connection with the payment of the Stipulated Loss Value hereunder, now or hereafter levied, assessed or imposed during the term of this Lease under the authority of a federal, state or local taxing jurisdiction regardless of when and by whom payable.

12. Lessor's Payment. In case of failure of Lessee to pay fees, assessments, charges, taxes and expenses, all as herein required, Lessor shall have the right, but shall not be obligated, to pay said fees, assessments, charges,

taxes and expenses. In the event of payment of the aforesaid by Lessor, the cost thereof shall be repayable to Lessor with the next payment of rent, and failure to repay the same shall carry with it the same consequence, including interest at the rate of 10% per annum as failure to pay any payment of rent; provided, however, the Lessee shall not be required to pay said fees, assessments, charges, taxes and expenses (i) so long as it shall in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor in and to the Equipment or (ii) as to assessments against or in the name of any one other than the Lessee, until twenty (20) days after written notice thereof to the Lessee.

13. Disclaimer of Warranties. LESSEE ACKNOWLEDGES THAT THE EQUIPMENT IS OF A SIZE, DESIGN, TYPE AND MANUFACTURE SELECTED BY LESSEE; THAT LESSOR IS NOT A MANUFACTURER THEREOF OR A DEALER THEREIN; THAT IT LEASES THE EQUIPMENT AS-IS, AND LESSOR HAS NOT MADE AND DOES NOT HEREBY MAKE ANY AGREEMENT, REPRESENTATION OR WARRANTY WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALITY OR SUITABILITY OF THE EQUIPMENT IN ANY RESPECT OR IN CONNECTION WITH, OR FOR THE PURPOSES AND USES OF LESSEE, OR ANY OTHER AGREEMENT, REPRESENTATION OR WARRANTY OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. Lessor does warrant, however, that it has whatever quality of title to the Equipment it obtained from the manufacturer or supplier thereof, subject to this Lease and any liens or encumbrances permitted hereby or which Lessee is obligated to discharge or satisfy. Lessor agrees, so long as no event of default has occurred and is continuing hereunder, that Lessee shall have the right to obtain the benefit of and enforce in Lessee's own name to the extent such warranty or agreement is assignable or in Lessor's name to the extent such warranty or agreement is not assignable and at Lessee's sole expense any supplier's or manufacturer's warranty or agreement in respect of the Equipment and Lessor shall execute and deliver such instruments as may be reasonably necessary to enable Lessee to obtain such benefits.

14. Indemnification. Lessee does hereby assume liability for and does hereby agree to indemnify, protect, save and keep harmless Lessor, its successors and assigns, from and against any and all liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including court costs and legal expenses, of whatever kind and nature, imposed on, incurred by or asserted against Lessor or its successors and assigns (whether or not also indemnified against by any other person) in any way relating to or arising out of this Lease or the manufacture, purchase, ownership, delivery, lease, possession, use, operation, condition, return or other disposition of the Equipment by Lessor or Lessee, including without limitation, latent and other defects, whether or not discover-

able by Lessor or Lessee; any claim for patent, trademark, or copyright infringement; and any claims arising out of strict liability in tort. Lessee agrees to give Lessor and Lessor agrees to give Lessee, prompt written notice of any claim or liability hereby indemnified against. The indemnities and assumptions of liabilities contained in this paragraph 14 shall continue in full force and effect notwithstanding the termination of this Lease, whether by expiration of time or otherwise, as to any act or omission in any manner relating to the Equipment occurring during the continuance of this Lease which at any time is claimed to have created a cause of action against the Lessor. The indemnities and assumptions of liabilities set forth in this paragraph 14 do not guarantee a residual value.

15. Tax Indemnification. This Lease has been entered into on the assumptions that (A) the Lessor shall be entitled to such deductions, credits and other benefits provided by the Internal Revenue Code of 1954, as amended to the date hereof, (the "Code") to an owner of property, including, without limitation, (1) annual depreciation deductions for each tax year of the Lessor during which this Lease is in effect with respect to the total cost of each Item of Equipment, as set forth in Schedule 1 hereto, using a 12-year depreciable life, such depreciable life based on the assumption that Lessor will be able to and will elect (i) the Asset Depreciation Range System as currently authorized under Section 167(m) of the Code utilizing with respect to the Item of Equipment Asset Guideline Class 00.25 and (ii) the lower limit of twelve (12) years of the Asset Depreciation Range of such Asset Guideline Class, with respect to Equipment made the subject of a Certificate of Acceptance taking into account an estimated salvage value of twenty percent (20%) of said total cost reduced by ten percent (10%) as provided in Section 167(f) of the Code and employing the double declining balance method of depreciation, switching over to the sum of the year's digits method or to the straight line method as the Lessor may prefer, at the appropriate times to secure the maximum depreciation deduction with respect of said total cost, based upon the assumption that the Items of Equipment will be placed in service when delivered and according to the accounting convention normally employed by the Lessor ("Depreciation Deductions"), and (2) the ten percent (10%) Investment Tax Credit pursuant to Section 38 of the Code, based on said total cost ("ITC"); (B) all amounts includible in gross income by the Lessor with respect to this Lease will be treated as income from sources within the United States; (C) this Lease will be a true lease for all Federal, State, City and Local income taxes or for franchise taxes measured by net income; and (D) this Lease conveys to Lessee no right, title or interest in the Items of Equipment except as a Lessee.

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing

and that each of such corporations will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof. The Lessee agrees to keep and make available for inspection and copying by the Lessor, and will on written request by the Lessor provide the Lessor with, such records as will enable the Lessor to determine whether it is entitled to (a) the full benefit of the Depreciation Deductions and the ITC and (b) to treat amounts includible in gross income with respect to this Lease as income from sources within the United States.

The Lessee represents and warrants that:

- (a) each Item of Equipment shall constitute "new Section 38 property" within the meaning of Section 48(b) of the Code on the date of acceptance thereof by the Lessee and "the original use" of the Equipment shall commence with the Lessor pursuant to Section 167(c) and Section 48(b) of the Code and the Income Tax Regulations promulgated thereunder;
- (b) each Item of Equipment shall be placed in a condition or state of readiness and availability for functioning so as to be deemed to be "first placed in service" by Lessor within the year 1976;
- (c) each Item of Equipment at all times during the term of this Lease, shall constitute "Section 38 property" within the meaning of Section 48(b) of the Code;
- (d) the use, operation, improvement, alteration or location of any Item of Equipment by Lessee or any other party having possession or control of such Item of Equipment, whether or not authorized or contemplated under the terms of this Lease, will not cause such Item of Equipment to be disqualified as "new Section 38 property" within the meaning of Section 48(b) of the Code nor disqualified as depreciable property within the meaning of Section 167(a) of the Code;
- (e) the removal from service of or substitution for any Item of Equipment, or the replacement of any part or portion thereof, whether or not such removal, substitution or replacement is authorized or contemplated under the terms of this Lease, or by subsequent agreement among the parties hereof, will not cause such Item of Equipment to be disqualified as "new Section 38 property" within the meaning of Section 48(b) of the Code nor disqualified as depreciable property within the meaning of Section 167(a) of the Code.
- (f) all items includible in gross income by the Lessor with respect to this Lease are, and will be, entitled to treatment as income from sources within the United States.

If, for any reasons other than by reason of:

- (i) a Casualty Occurrence with respect to any Item of Equipment, if the Lessee shall have paid to the Lessor the amounts stipulated under Section 9 hereof;
- (ii) a transfer or other disposition by the Lessor of any interest in any Item of Equipment, unless, in such case, an Event of Default shall have occurred and be continuing;
- (iii) the failure of the Lessor to claim in a timely manner the ITC or the Depreciation Deductions, other than any such failure of the Lessor (a) following the receipt of an opinion from Lessor's independent tax counsel, to the effect that as a result of something other than an act or omission of Lessor there is not a reasonable basis for making such claim or election without the Lessor incurring a risk of imposition of a civil or criminal penalty or (b) which is caused by the failure of Lessee, after having received written request by the Lessor, to take any action or to provide to Lessor any information or document which it is required to do or furnish pursuant to this Lease;
- (iv) the failure of Lessor to have sufficient liability for income tax against which to credit such ITC or sufficient income to fully benefit from the Depreciation Deductions, (but only if, and to the extent that, such credits and deductions would not be lost if Lessor had sufficient liability for tax and/or had sufficient gross income); or
- (v) changes or amendments to the federal income tax laws or the rules or regulations promulgated thereunder following the execution of a Certificate of Acceptance for any Item of Equipment;

the Lessor shall not be entitled to or shall lose the right to claim, or there shall be disallowed or recaptured, in whole or part, ITC or Depreciation Deductions in reporting its taxable income for each year during which this Lease is in effect, or if any such ITC or Depreciation Deductions are lost, disallowed or recaptured, in whole or in part, or if the rate, manner or basis of taking any such ITC or Depreciation Deductions shall be changed or affected, in whole or in part, or if the Lessor shall determine that all amounts includible in gross income with respect to this Lease cannot be treated as income from sources within the United States for any taxable year (or portion thereof) during which this Lease is in effect as the result of the location of any Item of Equipment outside the United States; then the Lessee will, upon written demand, pay to Lessor within ten (10) days, the sum of:

- (a) an amount which in the Lessor's reasonable opinion will cause the Lessor's net return, with respect to the Items of Equipment under this Lease, to equal the net return (computed on the same assumptions as were utilized by the Lessor in entering into this Lease) that would have been available if the Lessor had been entitled to the utilization of all or such portion of such ITC or Depreciation Deduction which was disallowed, lost or required to be recaptured and had the Lessor been entitled to treat all amounts includible in gross income with respect to this Lease as income from sources within the United States; provided, however, that no amount as herein provided for the disallowance or recapture of such ITC or Depreciation Deductions will be due if the Lessee requests that the disallowance, recapture or loss of such ITC or Depreciation Deductions be litigated in the appropriate forum after indemnifying the Lessor for any costs, interest or penalties incurred in such litigation. In the event such disallowance, loss or recapture of such ITC or Depreciation Deductions is sustained by a final order of the court, which is affirmed upon appeal if the Lessee requests such appeal, then the amount provided for herein shall be payable upon the next rent payment date after such final order if no appeal is taken or after the final action on an appeal which is taken.
- (b) the reasonable costs (including without limitation, court costs and reasonable attorneys' fees) and expenses of the Lessor in connection with the payment, or defense against an action for non-payment, of the amounts corresponding to the Depreciation Deductions, ITC and other benefits lost, disallowed or recaptured; and
- (c) the amount of all interest and penalties which may be assessed by the United States Government, and all other political entities, against Lessor in connection with such loss, disallowance or recapture.

This paragraph 15 shall continue in full force and effect, notwithstanding the expiration or other termination of this Lease.

16. Default. Any of the following events or conditions shall constitute an event of default ("Event of Default") hereunder:

- (a) failure to pay when due any payment of interim rent or rent, which failure shall continue for five (5) days after the due date thereof;
- (b) nonpayment of any other amount provided for in this Lease when the same becomes due, or default by Lessee in performing any obligation, term or condition of this Lease, or any agreement between Lessor and Lessee executed concurrently herewith, provided such nonpayment or default shall have continued for more than thirty (30) days after written notice from the Lessor to the

Lessee specifying the default and demanding that the same be remedied;

- (c) if the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Equipment, or any portion thereof, and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Equipment within thirty (30) days after written notice from the Lessor to the Lessee demanding such cancellation and recovery of possession;
- (d) the filing by or against Lessee of a petition under the Bankruptcy Act or any amendment thereto or under any other insolvency law or law providing for the relief of debtors; the commission by Lessee of an act of bankruptcy; the filing by or against Lessee of a petition for reorganization under Section 77 of the Bankruptcy Act as now constituted or as may be hereafter amended, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in full force or such ineffectiveness shall continue);
- (e) the making of any general assignment by Lessee for the benefit of creditors, the appointment of a receiver or trustee for Lessee or for any of Lessee's assets, or the institution by or against Lessee of any other type of insolvency proceeding (under the Bankruptcy Act or otherwise) or of any proceeding for the dissolution, liquidation, settlement of claims against or winding up of the affairs of Lessee or the making by Lessee of a transfer of all or a material portion of Lessee's assets or inventory not in the ordinary course of business; unless such preceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in full force or such ineffectiveness shall continue); and

- (f) if any certificate, statement, representation, warranty or audit heretofore or hereafter furnished by or on behalf of Lessee proves to have been false in any material respect at the time as of which the facts therein set forth were stated or certified or has omitted any substantial contingent or unliquidated liability or claim against Lessee.

If and so long as this Lease shall be deemed to be a divisible and severable contract between Lessor and Lessee, as a result of separate assignments by the Lessor pursuant to paragraph 19 hereof, an Event of Default which occurs and is continuing beyond the applicable period of grace, if any, in any of the said assigned and separate portions of this Lease shall constitute an Event of Default in all other assigned and separate portions of this Lease, all as if such Event of Default occurred in such other assigned and separate portion.

17. Remedies. Upon the happening of an Event of Default, Lessor at its sole discretion, may:

- (a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or
- (b) by notice in writing to Lessee, terminate this Lease, whereupon all right of Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but Lessee shall remain liable as hereinafter provided; and thereupon, Lessor may by its agents enter upon the premises of Lessee or other premises where any of the Equipment may be located, without judicial process if this can be done without breach of the peace, and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of Lessee, or its successors or assigns, to use the Equipment for any purpose whatever; but Lessor shall, nevertheless, have a right to recover from Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by a fraction of which the numerator is such accrued number

of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from Lessee

(i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Item of Equipment, which represents the excess of the present value, at the time of such termination, of all rentals for such Item of Equipment which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present value, of the then fair rental value of such Item of Equipment for such period computed by discounting from the end of such term to the date of such termination the rent which Lessor reasonably estimates to be obtainable for the use of such Item of Equipment during such period such present value to be computed in each case on a basis of a 2% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and

(ii) any damages and expenses, including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for the payment of rental.

The remedies in this Lease provided in favor of Lessor shall not be deemed exclusive, but shall be cumulative, and shall be addition to all other remedies in its favor existing at law or in equity. Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rental payments due hereunder, and agrees to make the rental payments regardless of any offset or claim which may be asserted by Lessee on its behalf in connection with the Lease of the Equipment.

The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

18. Lessee's Assignment. Without the prior written consent of Lessor, Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment (except to the extent that the provisions of any mortgage now or

hereafter created on any of the lines of railroad of Lessee may subject such leasehold interest to the lien thereof, but this exemption shall not be deemed to be a waiver or subordination by Lessor of any of its rights hereunder). Lessee's interest herein is not assignable and shall not be assigned or transferred by operation of law. Consent to any of the foregoing prohibited acts applies only in the given instance and is not a consent to any subsequent like act by Lessee or any other person. Subject always to the foregoing, this Lease inures to the benefit of, and is binding upon, the successors and assigns of the parties hereto.

19. Lessor's Assignment. All rights of Lessor hereunder may be assigned, pledged, mortgaged, transferred, or otherwise disposed of, either in whole or in part, without notice to Lessee, but Lessee shall be under no obligation to any assignee of Lessor except upon receipt of written notice from Lessor of such assignment from the Lessor. In the event that separate assignments are executed by Lessor in respect of this Lease and the rental and other sums due and to become due hereunder, Lessor and Lessee agree that, so long as such separate assignments remain in force and effect, this Lease shall be deemed to be and shall be construed as a divisible and severable contract between Lessor and Lessee for the Leasing of Equipment covered by each such separate assignment, all to the same extent and with the same force and effect as though a separate lease had been entered into by Lessor and Lessee in respect of such Equipment; provided, however, Lessor and Lessee agree that an Event of Default as to any such assigned and separate portion of this Lease shall nevertheless constitute an Event of Default in all other assigned and separate portions of this Lease, pursuant to the provisions of paragraph 16 hereof. Upon notice to the Lessee of any such assignment, the rent and other sums payable by Lessee which are the subject matter of the assignment shall be paid to the assignee. Without limiting the foregoing, Lessee further acknowledges and agrees that:

- (a) the rights of any such assignee in and to the sums payable by Lessee under any provisions of this Lease shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of defect in Lessor's title, or any interruption from whatsoever cause (other than from a wrongful act of the assignee) in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, to Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the assignee, Lessee shall be unconditionally and absolutely obligated to pay the assignee all of the rents and other sums which are the subject matter of the assignment; and

- (b) the assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

20. Insurance. Lessee shall maintain, with financially sound and reputable insurance companies, insurance covering the Equipment in such form and in such amounts and against such risks (including, without limitation, public liability and property damage insurance) as is customarily carried by companies engaged in Lessee's line of business and in any event in amounts and against risks comparable to those insured against by the Lessee on equipment similar to the Equipment which is owned by the Lessee. Lessee shall name Lessor as an insured in such insurance as is required to be maintained under this Section 20.

Lessee shall provide Lessor with evidence of such required insurance coverage no later than the date on which this Lease is signed by the parties hereto.

In the event that Lessee fails to obtain such insurance as required herein, Lessor may, but shall not be obligated to, obtain such insurance and, in that event, Lessee shall reimburse Lessor on demand for the cost of such insurance.

Notwithstanding the foregoing, Lessee may self insure (a) the Equipment against all risk of loss of or damage to the Equipment from every cause whatever and (b) against claims for bodily injury, death or property damage; but only so long as Lessee shall maintain a Consolidated Net Worth of not less than \$15,000,000.

The proceeds of such insurance, at the option of Lessee, shall be applied toward (x) restoration or repair of the Equipment, (y) payment of the Stipulated Loss Value thereof or (z) payment or as provision for satisfaction of the obligations of Lessee hereunder. Any excess of such proceeds remaining shall belong to Lessor.

21. Ownership. The Equipment is, and shall at all times be and remain, the sole and exclusive property of Lessor, and Lessee shall have no right, title or interest therein or thereto except as expressly set forth in this Lease. Lessee shall keep the Equipment free and clear of all liens, encumbrances and charges of any nature imposed or asserted by persons claiming, by, through or under Lessee.

22. Marking of the Equipment. Lessee shall cause each Item of Equipment to be kept numbered with its road number as set forth in Schedule 1 and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by means of a stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Owned by and leased from ARMCO LEASING CORPORATION under a Lease recorded with the I.C.C."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under paragraph 19 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except with the written consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

Except as above provided, Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification. Lessee shall indemnify Lessor, and any assignee under paragraph 19 hereof against any liability, loss or expense incurred by any of them as a result of the aforesaid marking of the Equipment with such name, initials or insignia.

23. Interest. Should Lessee fail to pay any part of the rent herein reserved or any other sum required by Lessee to be paid to Lessor, Lessee shall pay Lessor interest on such delinquent payment from the due date until paid at the rate of 10% per annum, or at the maximum rate of interest per annum permitted by applicable law, whichever is lower. Interest shall be computed on the basis of a 360 day year for the number of days elapsed.

24. Net Lease, Offset. This Lease is a net lease and Lessee shall not be entitled to any abatement of rent or other payments due hereunder or any reduction thereof under any circumstances or for any reason whatsoever. Lessee hereby waives any and all existing and future claims, as offsets, against any rent or other payments due hereunder and agrees to pay the rent and other amounts hereunder regardless of any offset or claim which may be asserted by Lessee or on its behalf. This Lease shall not terminate, or the respective obligations of Lessor or Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any Item(s) of Equipment from whatever cause, the prohibition of Lessee's use of the Equipment or

any Item of Equipment, the interference with such use by any government, person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, any lack of right, power or authority of Lessor or Lessee to enter into this Lease or any other cause whether similar or dissimilar to the foregoing.

25. Financial and Other Covenants. Lessee hereby represents, warrants and agrees that:

- (a) It has been duly organized and is validly existing under the laws of the state of its incorporation and is duly qualified, licensed and in good standing in all jurisdictions in which qualification and licensing is necessary to enter into and perform Lessee's obligations under this Lease.
- (b) The execution and delivery of this Lease and all documents entered into in connection with this Lease have been duly authorized by all necessary corporate or other action and do not require the consent, approval or withholding of objection by any person, party or governmental agency, and this Lease and such other documents constitute the legal, valid and binding obligations of Lessee enforceable against Lessee in accordance with their respective terms.
- (c) The execution of this Lease by Lessee and the performance thereof do not violate any agreement to which Lessee is a party or by which its property may be bound or affected.
- (d) All financial and other information furnished by Lessee to Lessor is true and correct as of the date of submission thereof and, as of the date hereof, there has not been any material adverse change in such information or the financial condition of Lessee since the date of such submission.
- (e) Lessee maintains a standard and modern system of accounting in accordance with regulations promulgated by the Interstate Commerce Commission and will furnish to Lessor or to such other person as Lessor shall designate: (i) as soon as available but in no event more than one hundred twenty (120) days after the close of each fiscal year of Lessee, Lessee's complete Annual Financial Report and the Railroad Annual Report (R-1) as submitted to the Interstate Commerce Commission for the preceding fiscal year, all in reasonable detail, prepared and certified by an accounting officer of Lessee, (ii) such other reports and

information as Lessor may reasonably require concerning the Equipment, including, without limitation, the status of its maintenance, use and condition, the financial condition of Lessee and the compliance by Lessee with the terms and conditions of this Lease.

- (f) For the purposes of enabling Lessor to file timely and accurate tax returns and to continue protection of its interest in the Equipment, Lessee shall advise Lessor within a reasonable time of the location of all Items of Equipment upon the written request of Lessor.

The foregoing representations, warranties and agreements shall continue throughout the term of the Lease, except as otherwise provided herein.

26. Right of Lessee to Purchase or Renew. Provided that the Lessee is not in default, Lessee shall have the right at the expiration of the original term or any renewal term of this Lease to purchase all, but not less than all, of the Equipment, on an AS-IS-WHERE-IS basis, without any representations or warranties, in immediately available funds, at a price equal to its then "Fair Market Value" (as herein defined), provided Lessee shall have given Lessor one hundred twenty (120) days prior written notice thereof.

The "Fair Market Value" shall be such amount as is mutually agreed upon by Lessor and Lessee; provided, however, that if Lessor and Lessee are unable to agree upon the Fair Market Value of the Equipment within twenty (20) days after receipt by Lessor of the written notice of Lessee's election to exercise the purchase option, the Fair Market Value shall be determined by the agreement of two independent appraisers, one chosen by Lessor and one chosen by Lessee within ten (10) additional days. If such appraisers cannot agree on the Fair Market Value within thirty (30) days after their appointment, then a third appraiser shall be selected by the two appraisers within ten (10) additional days and the Fair Market Value shall be determined by such three (3) appraisers. The unpaid portion of the Fair Market Value as finally determined shall bear interest for the period, if any, from the date of expiration of the lease term, to the date of payment at the rate of 10% per annum. Lessee shall bear all costs of appraisal. Upon payment of the Fair Market Value, and interest, if any, due hereunder, Lessee shall be deemed owner of the Equipment and Lessor shall provide Lessee with an appropriate bill of sale and/or transfer of existing title therefor. Lessor shall deliver to Lessee good title to the Equipment free and clear of all liens, security interests, and other encumbrances.

Provided that the Lessee is not in default hereunder, and has given Lessor one hundred twenty (120) days prior written notice thereof, as to all, but not less than all, of the Items of Equipment then leased hereunder, the Lessee also shall have the option to renew and extend this Lease upon and subject to the terms and conditions herein contained; provided: (i) that the semiannual Rent payable for and during any such renewal term shall be an amount equal to the Fair Rental Value (as hereinafter defined) of such Items of Equipment; and (ii) such renewal term shall be for a term which is the lesser of (a) ten (10) years or (b) eighty (80) per cent (expressed as an integral number of years, eliminating any fractional part of a year) of the then remaining useful life of the Equipment. Any renewal term shall commence immediately upon the expiration of the preceding term.

The "Fair Rental Value" shall be such amount as is mutually agreed upon by Lessor and Lessee; provided, however, that if Lessor and Lessee are unable to agree upon the Fair Rental Value of the Equipment within twenty (20) days after receipt by Lessor of the written notice of Lessee's election to exercise the renewal option, the Fair Rental Value shall be determined by the agreement of two independent appraisers, one chosen by Lessor and one chosen by Lessee within ten (10) additional days. If such appraisers cannot agree on the Fair Rental Value within thirty (30) days after their appointment, then a third appraiser shall be selected by the two appraisers within ten (10) additional days and the Fair Rental Value shall be determined by such three (3) appraisers. The unpaid portion of the Fair Rental Value as finally determined shall bear interest for the period, if any, from the date of expiration of the lease term, to the date of payment at the rate of 10% per annum. Lessee shall bear all costs of appraisal.

Unless the Lessee has given the Lessor one hundred twenty (120) days' prior written notice as required in connection with the exercise of the foregoing options, all the Equipment shall be returned to the Lessor in accordance with paragraph 10 hereof.

27. Filing and Recording. The Lessee agrees and covenants that prior to the delivery and acceptance of the first Item of Equipment, Lessee will at its sole expense, cause this Lease to be (a) deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and the required notice of such deposit forthwith thereafter to be published in the Canada Gazette pursuant to said Section 86 and (b) duly filed, registered or recorded in conformity with Section 20c of the Interstate Commerce Act and in such other places within or without the United States as Lessor may reasonably request and will furnish the Lessor proof of such filing, registration or recordation. Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will re-file, re-register, or re-record wherever and whenever required) any and all further instruments required

by law or reasonably requested by Lessor, for the purpose of protecting Lessor's title to the Equipment to the satisfaction of Lessor's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to Lessor proof of such filings and an opinion of Lessee's counsel that such action has been properly taken. Lessee will pay all costs, charges and expenses incident to any such filing, re-filing, registering, re-registering, recording, re-recording of any such instruments or incident to the taking of such action.

28. Non Waiver. No covenant or condition of this Lease can be waived except by the written consent of Lessor. Forbearance or indulgence by Lessor in any regard whatever shall not constitute a waiver of the covenant or condition to be performed by Lessee to which said forbearance or indulgence may apply, and, until complete performance by Lessee of said covenant or condition, Lessee shall be entitled to invoke any remedy available to Lessor under this Lease or by law or in equity despite said forbearance or indulgence.

29. Entire Agreement. This instrument constitutes the entire agreement between Lessor and Lessee with respect to the lease of the Equipment and it shall not be amended, altered or changed except by a written agreement signed by the parties hereto.

30. Notices. Any demands, notices and other communication provided for in this Lease shall be in writing and shall be deemed to have been duly given when:

- (a) delivered personally; or
- (b) deposited in a receptacle for receipt of United States mail, postage prepaid or when sent by prepaid telegraph or telex and addressed as follows:

If to the Lessor:

Armco Leasing Corporation
P. O. Box 900
Middletown, Ohio 45042

Attn: Contract Administration

If to the Lessee:

Maine Central Railroad
Company
242 St. John Street
Portland, Maine 04102

Attn: John F. Gerity
Vice President

or such other place as either party may designate to the other by notice given in accordance with this paragraph.

31. Gender; Number. Whenever the context of this Lease requires, the masculine gender includes the feminine or neuter and the singular number includes the plural; and, whenever the word "Lessor" is used herein, it shall include all assignees of Lessor.

32. Titles. The titles to the paragraphs of this Lease are solely for the convenience of the parties and are not an aid in the interpretation of the instrument.

33. Governing Law. This Lease shall be governed by and construed in accordance with the law of the state of Ohio; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

34. Survival of Terms of Lease. Lessee's obligations and liabilities hereunder shall not be affected by the expiration of this Lease and shall continue in full force and effect notwithstanding the expiration of this Lease or the termination of the terms hereof, whether by expiration of time, by operation of law or otherwise, unless and until expressly released by the Lessor.

35. Execution and Counterparts. ^{Ten (10)} ~~Five (5)~~ counterparts of this Lease have been executed by the parties hereto, one of which is prominently marked "Lessor's copy".

IN WITNESS WHEREOF, the parties hereto have executed these presents as of the day and year first above written.

LESSOR:

(SEAL)

ARMCO LEASING CORPORATION

ATTEST:

Lawrence W. Hul
Assistant Secretary

By L. R. MacLean
Its VICE PRESIDENT

LESSEE:

(SEAL)

MAINE CENTRAL RAILROAD COMPANY

ATTEST:

Robert W. Hul
Its Clerk

By John F. Smith
Its VICE PRESIDENT

STATE OF *Maine*)
CITY OF *Portland*) SS
County of Cumberland

On this *10th* day of *November*, 1976, before me personally appeared *D. R. MacLean* to me personally known, who being by me duly sworn, says that he is the *Vice President*

of ARMCO LEASING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Clayton T. Whitney

My commission expires: *November 8, 1979*

STATE OF MAINE)
CITY OF PORTLAND) SS
County of Cumberland

On this *10th* day of *November*, 1976, before me personally appeared *John F. Gerity*, to me personally known, who being by me duly sworn, says that he is the *Vice President* of MAINE CENTRAL RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Clayton T. Whitney

My commission expires: *November 8, 1979*

**EXHIBIT A
CERTIFICATE OF ACCEPTANCE UNDER
RAILROAD EQUIPMENT LEASE AGREEMENT,
DATED AS OF JUNE 1, 1976**

**TO: ARMCO LEASING CORPORATION ("ARMCO") and MAINE CENTRAL
RAILROAD COMPANY**

I, duly appointed and authorized representative for ARMCO and Maine Central Railroad Company under the Railroad Equipment Lease Agreement ("Lease"), dated as of June 1, 1976, respectively, between said ARMCO and said Maine Central Railroad Company, do hereby certify that I inspected, received, approved and accepted delivery under the Lease of the following Items of New Equipment.

TYPE OF NEW

EQUIPMENT:

50'6" Boxcars of Plate "C" dimensions
75 ton nominal capacity

DATE ACCEPTED:

NUMBER OF UNITS:

NUMBERED:

I do further certify that the foregoing Items of New Equipment are in good order and condition, and appear to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all applicable interchange requirements of the Association of American Railroads and that each Item of New Equipment has been marked in accordance with Section 22 of the Lease.

The execution of this Certificate will in no way relieve or decrease the responsibility of Maine Central Railroad Company for any warranties it has made with respect to the New Equipment.

Inspector and Authorized Representative of
Armco Leasing Corporation and Maine Central
Railroad Company

SCHEDULE 1
to
RAILROAD EQUIPMENT LEASE AGREEMENT
Dated as of June 1, 1976

Description of New Equipment:	300 new Fifty (50) foot six (6) inch seventy five (75) ton capacity plain boxcars bearing identifying numbers MEC 31450 through MEC 31749 both inclusive.
Outside Delivery Date:	All deliveries shall have been completed on or before December 31, 1976.
Deliver to:	Maine Central Railroad Company (as designated by the Lessee).
Rental Term:	With respect to each Item of Equipment the term commences on the date such Item of Equipment is made part of this Lease by the execution of a Certificate of Acceptance and terminates, subject to Sections 9, 16 and 26, on December <u>28</u> , 1991.
Rent:	Thirty (30) semi-annual payments, each in arrears, and each equal to 5.7830 percent of Lessor's total cost thereof;
Daily Interim Rent:	An amount per Item of Equipment per day equal to .0321278% of Lessor's total cost.
Lessor:	Armco Leasing Corporation
Lessee:	Maine Central Railroad Company
Total Cost Per Unit of New Equipment:	\$29,394.45
Total Combined Cost of New Equipment:	\$8,818,335

SCHEDULE 2

A Stipulated Loss Value is defined as the following percent of Lessor's total cost of an Item of Equipment to be paid on the due date set forth in paragraph 9 of the Lease as the result of an Item of Equipment becoming the subject of a Casualty Loss.

<u>After Rental Payment No.</u>	<u>Payable on Due Date and in Addition to Payment No.</u>	<u>(Percentage)</u>
0	1	105.9141
1	2	106.3235
2	3	106.4937
3	4	106.5455
4	5	107.0659
5	6	107.3399
6	7	100.7008
7	8	100.4820
8	9	100.0169
9	10	99.3053
10	11	91.6808
11	12	90.4765
12	13	89.0258
13	14	87.3287
14	15	78.7185
15	16	76.5287
16	17	74.0924
17	18	71.4098
18	19	68.4808
19	20	65.3054
20	21	61.8836
21	22	58.2154
22	23	54.3008
23	24	50.1399
24	25	45.7325
25	26	41.0788
26	27	36.1787
27	28	31.0322
28	29	25.6393
29	30	20.0000
30	thereafter	20.0000